REPORT

OF THE

Indian Tariff Board

ON THE

GRANT OF PROTECTION TO THE

WIRE AND WIRE NAIL INDUSTRY

CALCUTTA: GOVERNMENT OF INDIA
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Members	Mr. Fazal Ibrahim Rahimtoola. Mr. G. T. Boag, C.I.E., I.C.S.
Secretary	Mr. G. S. Bozman, I.C.S.

Report on the Grant of Protection to the Wire and Wire Nail Industry.

Terms of Reference.

The enquiry into the Wire and Wire Nail industry was referred to the Tariff Board by the Government of India in Commerce Department's Resolution No. 362-T. (11), dated 7th May 1931, which runs as follows:—

"The Government of India have received an application from Messrs. The Indian Steel Wire Products, Tatanagar, asking for the restoration of protection to the Wire and Wire Nail Industry. After careful consideration the Government of India have decided to refer the application to the Tariff Board.

2. In making the enquiry the Tariff Board will be guided by the principles laid down in the Resolution adopted by the Legislative Assembly on February 16th, 1923, and in particular will consider how its recommendations, if it makes any, will affect industries using wire and articles manufactured from it.

3. Firms or persons interested in the Wire and Wire Nail Industry and users of wire or wire nails who desire that their views should be considered by the Tariff Board should address their representations to the Secretary to the Board."

The Board instituted the enquiry immediately and issued the following Press Communique on 14th May 1931:—

"Under the terms of Resolution No. 362-T. (11), dated the 7th May 1931, the Government of India, Commerce Department, have referred to the Tariff Board the question of the restoration of protection to the Wire and Wire Nail Industry. The Board proposes to take up this Enquiry immediately. All firms and persons interested in the industry and all affected by the Enquiry whether as manufacturers, importers, traders or users are requested to send a statement of their views to the Board at the earliest possible date. The statement should be addressed to the Secretary, Indian Tariff Board, "Burnside", Ootacamund."

The Board addressed a questionnaire to the Indian Steel and Wire Products and also wrote to the Tata Iron and Steel Company and the Controller of Stores for information upon specific points connected with the enquiry and received full replies to these communications. Representations were received from the Burma Chamber of Commerce and from the Calcutta Import Trade Association opposing the application for protection. We visited the Company's

works at Tatanagar on August 15th, took oral evidence from them in Calcutta on August 17th and examined Messrs. Mather and Keenan on behalf of the Tata Iron and Steel Company on August 18th.

The previous protective duty withdrawn in 1928.

2. The application for the protection of the Wire and Wire Nail industry was first considered by the Tariff Board in connection with the Steel Enquiry in 1924. It was then held by the Board that the industry satisfied the conditions laid down by the Fiscal Commission on the assumption that the wire rod required for the manufacture of wire would be produced in sufficient quantities by the Tata Iron and Steel Company. On this view of the question, the Board recommended a duty of Rs. 60 per ton on wire and wire nails. No duties however were recommended on barbed wire and stranded fencing wire which were not manufactured in India. These recommendations were accepted by the Legislature and embodied in the Steel Industry (Protection) Act, 1924. In the course of the Tariff Board's supplementary enquiry into steel in 1925 it became apparent that not merely had the Tata Iron and Steel Company been unable to manufacture wire rod but there was no definite undertaking by the Steel Company to supply wire rod by any particular date. No recommendation was therefore made for supplementary protection for wire and wire nails and it was held that in the circumstances the whole question of granting protection with reference to the first condition of the Fiscal Commission should be reconsidered in connection with the statutory enquiry into steel in 1926. The protective duty on wire rod was however withdrawn and was replaced by the revenue duty of 10 per cent. *ad valorem.* In the course of their oral evidence in 1925 the Tata Iron and Steel Company had definitely stated that by August 1926 the Company would be in a position to supply 250 tons monthly of $\frac{1}{4}$ inch wire rod. It appeared however during the Statutory enquiry in 1926 that no rod had been delivered and that it was not intended to manufacture wire rod at the Steel Company's works until the proposed hoop and strip mill had been constructed. Mr. C. A. Alexander, General Manager of the Tata Iron and Steel Company, stated in evidence before the Board on April 28th, 1927, that the latest estimate of the time within which this mill would be in operation was three years and that before the end of that period the Company would be in a position to undertake the manufacture of wire rod. Meanwhile the Indian Steel Wire Products, Limited, who were the only manufacturers of wire in India, having defaulted in payment of interest on their debentures, were served with notice of foreclosure by the chief debenture holders, namely, the Bihar and Orissa Government and the Tata Iron and Steel Company, and in consequence the Company went into liquidation early in 1927. On the recommendation of the Tariff Board, the Government with the sanction of the Legislature withdrew the protective duty on wire and wire nails from 1st April 1928 and reimposed in its place the revenue duty.

3. On the liquidation of the Indian Steel Wire Products, Limited, the entire assets of the Company were assigned to the trustees of the debenture holders who sold them to Mr. Indra Singh, the present proprietor of the works. Formal negotiations for the sale of the works commenced on August 27th, 1927, and Mr. Indra Singh entered into possession of the works on October 19th, 1927. The manufacture of wire and wire nails was resumed under the new management on March 7th, 1928. The application for protection by the present proprietor was first submitted to the Government of India in February, 1930. The main ground on which the present application is based is that, while the Tata Iron and Steel Company are still unable to produce wire rod and have no intention of undertaking its production within any definite period, the Indian Steel and Wire Products propose to instal a rod mill in connection with their works at Jamshedpur for the manufacture of wire rod from billets supplied by the Tata Iron and Steel Company. It is claimed that the industry will then be in a position to fulfil the first condition laid down by the Fiscal Commission. The rod mill which it is proposed to instal will have a total capacity of 45,000 tons a year of which 15,000 tons will be wire rod and the rest will consist of steel bars of sections below $\frac{1}{2}''$ in size which are now excluded from the scope of the protective duty on bars. Negotiations for the purchase of the rod mill have been in progress with a firm of German manufacturers and the estimated cost of the mill delivered at Jamshedpur is given as Rs. 2,50,000 and the total cost of purchase, erection, building and provision of accessories is estimated at Rs. 5,75,000. It is expected that within a period of about 15 months from the date of order it will be possible to obtain delivery of the plant and complete its erection.

Grounds for the present claim for protection.

4. The Tata Iron and Steel Company were addressed by the Indian Steel and Wire Products on the subject early in 1929. Their replies dated September 25th and October 29th, 1929, may be summarised as follows. The Tata Iron and Steel Company would be prepared to supply billets of $1\frac{3}{4}''$ up to 2,000 tons a month for a period of five years for the manufacture of wire. They would also be prepared to supply additional electric power if they could do so at the time although for the time being they had no additional power to spare. The price of billets would not be less than Rs. 90 per ton but the exact price and other terms would be subject to further consideration. The price proposed for billets was based on the price at which tin bars were sold to the Tinplate Company but actually would be somewhat higher in view of the Tinplate Company's regular demand for a very much larger quantity. In no case would the price be below that at which tin bar was supplied to the Tinplate Company. The Indian Steel and Wire Products were not to roll in their rod mill rounds of $\frac{1}{2}''$ and above and for five years were not to roll any other

Correspondence between Tata Iron and Steel Company and Indian Steel and Wire Products.

kinds of bars such as flats, tees, squares and angles of any size. On their part the Tata Iron and Steel Company would agree not to roll rounds below ½″ for five years after the Indian Steel and Wire Products' rod mill had begun to operate. In their replies to the questionnaire issued by us in this enquiry the Tata Iron and Steel Company state definitely that there is no prospect of the Tata Iron and Steel Company being able to roll wire rod in the near future and that developments since 1927 have made it inadvisable for them to give effect for the present or in the immediate future to the intention which the Company entertained in 1927 of installing a strip and rod mill. The enquiries which had been commenced in connection with such a mill were abandoned before final estimates of capital cost, etc., had been prepared. They also state that it is not commercially possible on the present Merchant Mill to roll No. 5 gauge wire rod, which is the size most suitable for the drawing of wire, nor any section of wire rod reasonably near in size to No. 5 gauge. It is clear therefore that it is on the Indian Steel and Wire Products' proposal to instal a rod mill and the extent to which the Tata Iron and Steel Company will supply billets that the claim of the wire industry to protection with reference to the first condition of the Fiscal Commission should now be determined.

Supply of billets by the Tata Iron and Steel Company.

5. The Tata Iron and Steel Company's reply to the proposal made by the Indian Steel and Wire Products, to which we have referred in the previous paragraph, was such that if it stood by itself the case for protecting the wire industry would hardly admit of reconsideration. Subsequently however the Tata Iron and Steel Company in their replies to our questionnaire and in the course of their oral evidence have stated their position with regard to the proposal in more definite terms. With regard to the quantity of billets which may be spared for the manufacture of wire the Steel Company in their written evidence stated that the Company would be in a position to supply about 50,000 tons of billets during the next twelve months, which approximately corresponds to the requirements of the Indian Steel and Wire Products if the rod mill works to full capacity. It was explained by Mr. Mather in his oral evidence on behalf of the Steel Company that the figure of 2,000 tons a month suggested by them in 1929 in their reply to the Indian Steel and Wire Products was in accordance with Mr. Indra Singh's request as regards his estimated requirements at the time. But if a larger quantity was required approximating to the maximum capacity of the proposed rod mill, namely 50,000 tons of billets, the Steel Company would be in a position to supply it. Mr. Mather's evidence on the point may be quoted—" We could supply 4,200 tons a month from the beginning of next month if necessary. Even taking into account the possibility that we might require steel for other purposes as time goes on, there is the equal possibility that we shall be able to increase our output of ingots. If this mill starts working in two years from now, we have no fear of not being able to supply the necessary

billets ". The following is the estimated normal demand at present on the Steel Company's sheet bar and billet mill:—

	Tons.
Billets for the Merchant Mill	120,000
Sheet bar	65,000
Tin bar	65,000*
Miscellaneous demand for billets sent outside the works	20,000
Sleeper bars	40,000
	310,000

The old bar mill is now shut down but will be started up again in the cold weather for the manufacture of fish-plates when there will be a further small demand for billets which will, however, be partly met from billets rolled on the old 28″ mill. The surplus capacity of the sheet bar and billet mill over and above the Company's present requirements is well over 100,000 tons so that an extra quantity of 50,000 tons could be rolled without difficulty. Including the Indian Steel and Wire Products' maximum requirement of 50,000 tons, the total quantity of billets rolled would amount to 360,000 tons representing approximately 400,000 tons of blooms. The total demand on the blooming mill may thus be estimated as follows:—

	Tons of blooms.
Billets (including those required for the Indian Steel and Wire Products)	400,000
Rails and structurals	140,000
Slabs for plate mill	50,000
	590,000

If it were found necessary to roll a larger quantity of rails, say 150,000 tons a year, there would be an additional demand for about 90,000 tons of blooms bringing the total up to about 700,000 tons. This is well within the total capacity of the two blooming mills and well within the Company's ingot capacity.

The price of billets.

6. On the other points arising from the Steel Company's replies, considerable developments have occurred subsequently which have been brought to our notice in the course of the oral evidence. The price at which the Steel Company were prepared to supply billets to the Indian Steel and Wire Products in 1929 was fixed generally at Rs. 90 a ton subject to further consideration but not in any case below Rs. 83. The price thus fixed was below that at which it was then possible to import billets without a protective duty. Prices have since fallen considerably and in view of this fact the Board of Directors of the Tata Iron and Steel Company have offered to supply billets to the Indian Steel and Wire Products at the price at which Continental billets could be delivered at Tatanagar from time to time subject to a minimum of Rs. 70 per ton. The latest price which we have seen quoted in the "Iron and Coal Trades Review" for Belgian billets is £3-5-0 f.o.b. Antwerp. Freight and insurance at present rates from Antwerp is 16 shillings making the total equi-

* Rather lower at present.

valent to £4-1-0 c.i.f. Calcutta or Rs. 54 at 1*s.* 6*d.* exchange. Landing charges at Calcutta and freight to Tatanagar amount to Rs. 7 and duty at 12½ per cent. on the c.i.f. price is Rs. 6-12. The total cost delivered at Tatanagar will thus be Rs. 67-12. Therefore, on the scale of prices proposed by the Steel Company, the selling price at present will be the minimum provided in the scale, namely, Rs. 70 a ton.

Supply of power.

7. With regard to other points mentioned in the Steel Company's replies to the Indian Steel and Wire Products in 1929 the position at present, as explained by Mr. Mather, may be briefly stated. The Steel Company are now definitely in a position to supply the electricity required by the Indian Steel and Wire Products for the proposed rod mill. The amount of power required for the rod mill as estimated by the Indian Steel and Wire Products is 8,000 units a day if production is at the rate of 60 tons a day and 20,000 units a day if production is at the maximum rate of 150 tons a day. This the Steel Company will be able to supply. Power will be supplied at the usual rate of 9 pies per unit subject to fluctuations in the price of coal.

Proposal to roll small section steel bars.

8. An important point which arises in connection with the erection of a rod mill is the disposal of the steel sections other than wire rod which it would be necessary to roll on the mill in order to bring the output up to an economical scale. It is proposed that in addition to wire rod various sections of steel bars less than ½ inch in size should be rolled up to a maximum output of 30,000 tons. The possibility of operating the rod mill economically depends on the extent to which small sections can be rolled on it in addition to wire rod. Bars less than ½ inch in size are now excluded from the protective duty and it is part of the Indian Steel and Wire Products' proposals that a protective duty should be levied on these bars to enable them to undertake their manufacture. We are precluded under our terms of reference from considering the grant of protection to any steel articles other than wire and wire nails. Even if we were competent to consider the question, it is doubtful if any recommendations would be called for at this stage in view of the fact that production would not commence for about a year and a half and by that time the whole question of protection for steel would come under review in the next Statutory enquiry. Apart from the grant of protection, it is necessary to consider the extent of the market which will be available for small sections of bars manufactured by the Indian Steel and Wire Products since this has an important bearing on the future of the proposed rod mill. The average imports of unprotected steel bars during the past three years as given in the Trade Returns are considerably above 50,000 tons a year so that if the Indian Steel and Wire Products manufactured 30,000 tons of sections, which is the maximum capacity of their rod mill for sections other than wire rod, there would be sufficient market in the country to absorb the whole output. If, however, the Tata Iron and Steel Company

decided to instal a strip and rod mill for the manufacture of small sections, the whole of this market might not be available for the Indian Steel and Wire Products. In their reply to the Indian Steel and Wire Products in 1929, the Steel Company undertook not to manufacture rounds below ½ inch for five years after the Indian Steel and Wire Products' rod mill had begun to operate but gave no undertaking as regards their manufacture after that period. Mr. Mather, however, in his oral evidence in this enquiry stated that the Steel Company would not, during the period of any agreement for the supply of billets to the Indian Steel and Wire Products, take any action which would interfere directly or indirectly with either the working or the general spirit of the arrangement. While he was not prepared to bind the Company as regards the manufacture of lighter sections for a longer period than that, he pointed out that in view of the Steel Company's policy of extending their output into fields which offered the most promising developments it did not seem probable that in seven or eight years time the Company would try to capture the market for lighter sections. In addition to the market for unprotected bars there is also a market approximating to an average of 35,000 tons for hoops and strips, giving a total market for lighter sections of about 85,000 tons. Even if it is assumed that the Steel Company would produce these sections, a market on this scale might afford room for both the Steel Company and the Indian Steel and Wire Products.

Prospects of economical production of wire rod.

9. We are satisfied on the evidence tendered by the Tata Iron and Steel Company in this enquiry that, if a rod mill is installed by the Indian Steel and Wire Products, they may be reasonably expected to make suitable arrangements for the supply of billets and of electric power. It remains, however, to consider whether the manufacture of wire rod if undertaken in connection with the Indian Steel and Wire Products' works will eventually prove economical. Sufficient data for examining this question are obviously lacking and all that may be attempted is an indication of general possibilities. Mr. Indra Singh has supplied us with the estimates of conversion costs on the rod mill prepared by him with the advice of manufacturers of steel machinery. These estimates have been prepared on the basis of output at rates of 60,100 and 150 tons per day. On an output of 100 tons per day the conversion cost excluding wastage is estimated at Rs. 25 per ton. If the price of billets is taken at the minimum price at which the Steel Company are prepared to sell, we get the following figures of costs—

	Rs.
Billets per ton	70
Wastage at 10 per cent.	7
Conversion cost	25
	102
Less credits realised	2
	100

The cost of wire rod delivered at Tatanagar in February 1931 was Rs. 98-4-7 per ton. This was excluding the revenue duty on wire rod which is remitted to the Indian Steel and Wire Products under licence. If the revenue duty were added the cost of rod delivered at Tatanagar at this rate would be approximately Rs. 111 per ton. Compared with this price the estimated cost of manufacturing wire rod on an output of 100 tons of sections a day would appear to be economical. In estimating the import price of wire rod for the purpose of comparison it is fair to take the revenue duty into account because the scale of prices proposed by the Tata Iron and Steel Company for billets is based on the duty paid price of imported billets. The maximum capacity of the rod mill is 150 tons a day. On this output the cost would show a further reduction—

	Rs.
Billets	70
Wastage at 10 per cent.	7
Conversion	21·4
	98·4
Less credits realised	2
	96·4

Estimates of costs not based on actual experience are unreliable, especially when they are partly supplied by manufacturers of machinery. It may, however, be pointed out that in certain essential respects a rod mill intended for the manufacture of wire rod and other steel sections resembles the Tata Iron and Steel Company's Merchant Mill. The conversion cost on the Merchant Mill, including wastage, has varied recently from Rs. 16 to Rs. 20 a ton against a similar cost of Rs. 32 and Rs. 28·4 estimated for the Indian Steel and Wire Products' rod mill. Excluding wastage, the conversion cost on the Merchant Mill has recently been Rs. 11 to Rs. 14 per ton as against Rs. 25 and Rs. 21·4 estimated for the rod mill. If allowance is made for the difference in output between the two mills the estimates of conversion costs on the rod mill do not appear unreasonable. Mr. Keenan, the General Manager of the Tata Iron and Steel Company, stated in his evidence that the Superintendent of their Merchant Mill who had examined the designs of the proposed rod mill thought that it could be run very economically and with the minimum amount of labour. In all countries in which steel is produced on a large scale there is a recognised place for medium sized concerns working independently on semi-finished materials purchased from larger units. A rod mill of the kind proposed by the Indian Steel and Wire Products may represent the beginning of what may be called the re-rolling industry in India.

10. Our examination of the evidence so far has led us to the conclusion that if a rod mill is installed by the Indian Steel and Wire Products it is not unreasonable to think that it will be possible to manufacture wire rod economically out of indigenous material and that sufficient supplies of indigenous material are available for the purpose. On this view it may be held that the Wire industry satisfies the first condition of the Fiscal Commission. But before the question of protection is finally settled there is one other factor which must be considered. The rod mill in question, on which the case for protection depends, is still only a possibility, however reasonable that possibility may appear. The grant of protection based on a contingency which is yet to materialise is open to grave objection, especially when its occurrence depends on the action of the applicants themselves. The data required for a correct estimate of costs are entirely lacking and there is no guarantee that, if protection is granted, the conditions on which it is based will be fulfilled. These are strong objections to the grant of substantive protection to the Wire industry at this stage. At the same time it is certain that if assistance is totally refused there will be no incentive for the industry to create the condition which will qualify it for protection and which will lead to the establishment in the country of an important industry with assured prospects. Unless steps are taken in the meantime to preserve the Wire industry in India its ultimate development into an industry using indigenous material will be rendered impossible. It is in the light of these considerations that we desire to approach the question of protection.

Development of the industry unlikely without assistance.

11. We consider that the assistance required for the industry should be fixed at a level which will enable it to maintain itself until such time as it may reasonably be expected to make arrangements for supplying itself with material drawn from indigenous sources. But before considering the measure of assistance which the industry requires we desire to draw attention to a circumstance which in our opinion entitles the industry to special treatment, apart altogether from the considerations stated in the preceding paragraph. The Indian Steel and Wire Products were purchased by the present proprietor at a time when the report of the Tariff Board on the continuance of protection for the Wire and Wire Nail industry was still under consideration by the Government of India. The preliminary negotiations for the purchase of the works had been started while the enquiry by the Tariff Board was in progress. It might, therefore, be presumed that Mr. Indra Singh knew when he commenced negotiations with the debenture holders of the original company that there was a strong likelihood of protection being withdrawn. But in fairness to him it must be presumed also that he knew that if protection was withdrawn it would be on the ground that the original company, being involved in financial difficulties, were unable to continue the manufacture of wire and wire nails and also that the Tata Iron and Steel Company were not then in a position to

Special claim to relief.

manufacture wire rod. As regards the first ground Mr. Indra Singh would be justified in thinking that, if he was in a position to provide the working finance necessary for continuing manufacture, the industry under his management would be regarded as being in a better position from the point of view of protection. As regards the second ground, Mr. Alexander giving evidence for the Tata Iron and Steel Company in April 1927 had definitely stated that by April 1930 at the latest the Company would be in a position to manufacture and supply wire rod. Mr. Indra Singh would therefore be perfectly justified in assuming that, although protection might be withheld during the intervening period, its restoration before April 1930 could be regarded as a reasonable certainty. As a matter of fact Mr. Indra Singh bought the works in October 1927, but it was not until February 1930 that he made his first application to the Government of India for protection. During the intervening period he made considerable extensions to the plant and introduced improvements which have brought about a substantial reduction in costs. In these circumstances it is difficult to resist the conclusion that he has a strong equitable claim to the grant of assistance. The question, however, is not merely one of personal claims but involves a principle which has an important bearing on the policy of protection. If an industrialist, believing in the assurances given by the Government and the Legislature, invests money in an industry which is declared protected but finds, in the meantime, that protection is withheld on account of temporary developments which have disturbed the assumptions underlying the protective scheme, the faith of intending investors in the policy of protection will be rudely shaken. Occurrences of this kind may go far to render protection ineffective in developing industries. We consider it necessary before leaving this subject to make it clear that in our opinion no blame attaches to the Tata Iron and Steel Company as regards their part in this matter. We are satisfied that at the time when Mr. Alexander gave evidence it was the intention of the Tata Iron and Steel Company to instal the hoop and strip mill within the time proposed. But, meanwhile, as is well known, unexpected difficulties of a very serious character supervened in the shape of the labour strike and the large fall in the orders for steel which rendered it impossible for the Company to carry out the extensions originally contemplated.

Difficulty of allocating costs between wire and wire nails.

12. We now proceed to estimate the measure of assistance which the industry requires. We have been supplied with detailed figures of costs incurred by the Indian Steel and Wire Products in the manufacture both of wire and wire nails since operations commenced under the present management. In the form in which the costs are presented, the distribution of expenditure between wire and wire nails is based on an arbitrary system of allocation which makes it impossible to arrive at a correct estimate of the cost of each article. For example, items like power, water, repairs and maintenance, supervision and establish-

ment and miscellaneous expenses cannot on the present system of accounting be directly charged to either wire or wire nails. The arbitrary character of the allocations will be evident from the fact that the whole of the expenses under supervision and establishment in 1930-31, amounting to Rs. 16,241, is charged in the accounts to wire and no part of it is allocated to nails although more than 80 per cent. of the wire produced during the year was converted into nails. In order to arrive at a fair estimate of the amount of assistance we propose, therefore, to base it on the works cost per ton of nails manufactured, on the assumption that the whole of the hard bright wire produced in 1930-31 was converted into nails. This would not be an unfair assumption because the bulk of the output at the works is at present sold in the form of nails. Further, there is sufficient capacity in the works for producing a larger quantity of nails and sufficient market in which to dispose of the extra quantity made.

Estimated works cost of wire nails.

13. The total output of hard bright wire in 1930-31 was 1,819 tons of which according to the system of allocation adopted at the works the average works cost was Rs. 135-5 per ton. The total production of nails during the same year was 1,554 tons and the average works cost as allocated was Rs. 176-10-9 per ton giving a spread between wire and nails of Rs. 41-5-9 per ton. If the whole of the wire produced in 1930-31 were converted into nails, some slight reduction in the cost above wire on account of increased production may be presumed. It would not be unreasonable to think that the cost would be reduced from Rs. 41-5-9 to approximately Rs. 40. Any larger reduction than this is improbable because labour is paid throughout the works on a piece work basis. The expenditure on consumable stores in respect of nails as given in the cost statement of 1930-31 amounts to Rs. 5-9-9 per ton which we consider too high and might be cut down by Rs. 2-8-0. Another possible reduction is in respect of repairs and maintenance which amount to Rs. 4-9-7 per ton. It is admitted that part of this represents periodical expenditure which does not occur every year. We therefore consider that a reduction of Rs. 1-8 may be reasonably made under this item. These adjustments would reduce the total spread to Rs. 36. We do not consider that under present conditions any other reduction in the cost of nails above wire is possible. The cost of wire as given in the statement of costs is Rs. 135-5 per ton. This is based on a cost of wire rod delivered at mill of over Rs. 100 per ton. Recent reductions in the cost of imported wire rod suggest that it would be possible to obtain imported wire rod at mill at about Rs. 6 per ton less. Taking about 7 per cent. as the wastage in converting wire rod into nails, this would represent a saving in the cost of nails of about Rs. 6-8. With this adjustment we estimate the works cost of nails per ton at approximately Rs. 165. In making this estimate it is assumed that the exemption of imported rod from duty which has now been granted to the Indian Steel and Wire Products since June 1st, 1930, will be continued.

14. The capital expenditure incurred by the present proprietor consists partly of the purchase money paid to the debenture holders of the original Company and partly of additional expenditure incurred for improvements and extensions subsequently. The purchase money paid to the trustees of the debenture holders amounted to Rs. 3,16,000. In addition to this a sum of Rs. 24,000 was paid to the Tata Iron and Steel Company in consideration of payments due to them from the original Company. The additional expenditure incurred since the works were purchased amounts to Rs. 1,85,050. Deducting from the purchase money an amount corresponding to the value of the shelving plant included in the works and from the total expenditure the amounts set aside for depreciation, we get a present block account of Rs. 3·8 lakhs. Since it is proposed to base the measure of assistance on the amount required for keeping the works in existence, it is the present block account and not the replacement cost which should be accepted as the basis for calculating depreciation charges. The maximum capacity of the works in terms of hard bright wire is considerably over 10,000 tons a year. The output on which we have estimated the works cost is slightly below 2,000 tons of hard bright wire. It is clearly unreasonable, in calculating depreciation, to base it on the value of the whole plant when less than a fifth of the total capacity is actually used. We think it would be fair to calculate depreciation at half the rate usually adopted by the Board ($6\frac{1}{4}$ per cent.) on a block account of Rs. 3·8 lakhs and an output of 2,000 tons a year. This amounts to about Rs. 6 per ton. Interest at $7\frac{1}{2}$ per cent. on working capital estimated at the works cost of 6 months' output represents another Rs. 6. The total costs will now stand as follows:—

Selling price estimated.

	Rs.
Works cost	165
Depreciation	6
Interest on working capital	6
	177

If the selling price of nails is fixed at Rs. 190 per ton, it will be sufficient to cover works costs and overhead charges and provide profit on the present output of about 5 per cent. on the total capital expenditure. We consider this a fair price on which to base a temporary scheme of assistance.

15. The present wholesale price of wire nails in the Calcutta market has been given to us by Mr. Ganguli of Messrs. Ganguli and Company, hardware merchants, as Rs. 7-4 per cwt. This represents approximately a duty free wholesale market price of Rs. 6-8 per cwt. at the present revenue duty of $12\frac{1}{2}$ per cent. The present output of nails at the Indian Steel and Wire Products' works is sold almost entirely in upcountry markets, less than 5 per cent. being as a rule sold in the Calcutta market. The sales in upcountry markets involve a considerable freight advantage as

The measure of protection required.

compared with imported nails. On a comparison of the average realised prices of the Indian Steel and Wire Products with the market prices ruling at corresponding periods in Calcutta and taking into account the railway freight to the principal upcountry markets, we estimate that the freight advantage amounts on an average to 12 annas per cwt. We realise that if a large extension of the market for nails was contemplated it would be unfair to take the freight advantage at this rate because increasing quantities would have to be disposed of in markets where the freight advantage is smaller or does not exist at all. But the output we have taken into account does not involve any considerable extension of the market for nails and we think it reasonable to assume that on this output the present freight advantage will be realised. The duty free price of nails for the Indian Steel and Wire Products will thus be—

Rs.	A.	P.	
6	8	0	
0	12	0	
7	4	0	per cwt.

or Rs. 145 per ton. The estimated fair selling price for nails being Rs. 190, the measure of assistance required is Rs. 45 per ton.

Duty proposed on wire and wire nails.

16. We propose that a specific duty at the rate of Rs. 45 per ton should be levied on wire as well as wire nails. In fixing the same rate of duty for wire and wire nails we have been influenced partly by the precedent of the Steel Industry (Protection) Act of 1924 in which the rate of duty on both wire and wire nails was fixed at Rs. 60 per ton. The Tariff Board experienced the same difficulty in 1924 as we have in the present enquiry in separating the cost of wire from that of nails. As regards prices, the evidence in previous enquiries suggested that the price of nails in many cases did not exceed that of wire and where it did the difference was too small to cover the cost of conversion. We have received evidence from dealers in the course of the present enquiry that a certain difference between the prices of wire and of nails was generally observed in the market, but that the extent of the difference depended on the conditions of the market for each product. On the other hand we find in a recent number of the "Iron and Coal Trades Review" that under a provisional agreement between German and Belgian makers practically the same price has been fixed for plain wire and for nails. It is however unnecessary for our purpose to consider the question in detail. The manufacturers of nails as distinct from wire have made no representation in connection with the present enquiry and we are under no necessity therefore to consider the rates of duty which would be applicable to manufactures of wire and of nails separately. At the same time we consider that while the case for granting substantive protection to the Wire and Wire Nail industry remains undecided, it would

not be fair to differentiate between the two classes of manufacturers as regards the proposals for assistance. It is for this reason that we do not recommend assistance in the shape of bounties to the Indian Steel and Wire Products. More than 80 per cent. of their output is sold as nails and if assistance were given to them by means of bounties it would place other manufacturers of nails at a disadvantage. If the claim for protection were definitely accepted this could not be reasonably urged as a ground for complaint. But in the present circumstances such differentiation will clearly amount to unfair treatment.

No duties proposed on other wire products.

17. In addition to plain wire and wire nails the Indian Steel and Wire Products propose to commence the manufacture of barbed wire and stranded fencing wire for which the necessary machinery has been purchased. It is now in course of erection and we have therefore not been able to examine its working. The importance of wire fencing from the point of view of crop protection is a matter to which our attention has been drawn by the Imperial Council of Agricultural Research. We have had no opportunity of estimating the burden which the protection of this class of wire would impose on the agricultural interests concerned. Our aim in this enquiry has been to provide a scheme of temporary assistance for the industry which will place it in approximately the same position as before protection was withdrawn and we do not consider it desirable to extend the scope of assistance till conditions are ripe for a full examination of the case for substantive protection. Accordingly we recommend that the duty we have proposed should apply to (1) iron or steel wire of all kinds other than barbed and stranded fencing wire, wire rope and wire netting and (2) wire nails, and further that the existing arrangement for exempting wire rod imported by the Indian Steel and Wire Products from duty should be continued. We recommend also that the protection of the Wire and Wire Nail industry should be examined fully in connection with the next Statutory Steel enquiry. If it is found then that the proposed rod mill has been installed and wire is manufactured out of indigenous material, there will naturally be a strong case for considering the grant of protection on a scale sufficient to ensure the full development of the industry. The question of the tariff treatment required for bars less than $\frac{1}{2}''$ which is intimately connected with the proposal to erect a rod mill could then be examined in relation to the general scheme of protection for steel.

Burden on other industries considered.

18. Before concluding this Report we propose to consider how far our recommendations are likely to affect industries using wire and articles manufactured from it. We have received a representation from Messrs. McGregor and Balfour, Limited, Calcutta, stating that they are manufacturers of reeds and cambs for which the raw material required is cast steel wire and that, in case an increased duty on steel wire was proposed, cast steel wire should be

excluded from it. The difficulty arises from the fact that, without a laborious process of testing, it would be difficult for the Customs Department to distinguish cast steel from mild steel. We think it unlikely that the specific duty of Rs. 45 a ton which we have proposed will place any higher burden on cast steel wire than the present revenue duty involves. We are informed that the current c.i.f. prices of cast steel wire vary from Rs. 17-9-3 to Rs. 19-9-9 per cwt. At the present rate of $12\frac{1}{2}$ per cent. the revenue duty on cast steel wire is, therefore, approximately Rs. 45 per ton. Should, however, the duty on steel wire imply an increase in the duty on cast steel wire, we consider that steps should be taken to exempt the cast steel wire imported by Messrs. McGregor and Balfour from the excess duty payable. This may be arranged in the same manner in which exemptions are now granted to the Indian Cable Company and the Indian Steel and Wire Products. Messrs. McGregor and Balfour being at present the only manufacturers of reeds and cambs, it would not be difficult to provide the necessary exemption. In the course of our enquiry into the Cable industry our attention was drawn by the Indian Cable Company to another article which is likely to be affected in the same way. In the manufacture of steel covered aluminium conductors the Company use special steel wire strand which cannot easily be distinguished from ordinary steel wire for Customs purposes. We have ascertained that the present c.i.f. price of this class of wire is £27-10 per ton. The revenue duty on this at the present rate amounts approximately to Rs. 45 per ton. Apart from these two cases we have received no representations and we are satisfied that the protective duty we have proposed will not involve any perceptible burden on other industries.

J. MATTHAI,
President.

FAZAL IBRAHIM RAHIMTOOLA,
Member.

G. T. BOAG,
Member.

G. S. BOZMAN,
Secretary.

October 15th, 1931.

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